ANNUAL REPORT
1984-85

Alberta Petroleum Incentives Program Fund

Alberta

ENERGY AND NATURAL RESOURCES

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ALBERTA PETROLEUM INCENTIVES PROGRAM (APIP)

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ISBN 0-86499-308-4
ISSN 0828-945X
ENR Report No. I-III 84/5

Alberta
ENERGY AND NATURAL RESOURCES

Office of the Minister

407 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3740

March, 1986

The Honourable G. Amerongen
Speaker of the Legislative
Assembly of Alberta

Sir:

In accordance with section 2(6) of the Petroleum Incentives Program Act, I have the honour to submit the fourth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1985.

Respectfully submitted,

John Zaozirny
Minister of Energy and
Natural Resources

Alberta

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Deputy Minister
of Energy Resources

March, 1986

The Honourable J. Zaozirny
Minister of Energy and Natural Resources
407 Legislature Building
Edmonton, Alberta
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Sir:

I have the honour of presenting to you the fourth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1985.

Respectfully submitted,

G.B. Mellon

G.B. Mellon
Deputy Minister
Energy Resources

Contents

	Page
General Background Information	7
Summary of Activities	8
Auditor's Report	9
Financial Statements	10
Notes to Financial Statements	11
Appendix — Summary of Incentive Grants	12

General Background Information

The Alberta Petroleum Incentives Program (APIP) was created by the Petroleum Incentives Program Act passed by the Alberta Legislature in November 1981, subsequent to the Canada/Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation signed in September 1981. Under the terms of the Agreement, Alberta undertook to administer and fund the portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The federal Petroleum Incentives Program was created in October 1980, to provide cash grants to Canadian owned and controlled companies in lieu of the earned depletion allowances provisions of the corporate income tax system.

APIP's objective is to encourage the exploration and development of Alberta's petroleum and natural gas resources. The program also supports work on enhanced oil recovery projects. Under the program, eligible applicants may obtain APIP incentive payments equal to a percentage of their incurred eligible costs and expenses, including exploration and development expenses for oil and gas wells; geological and geophysical expenses; and development drilling and asset costs related to enhanced oil recovery projects.

The APIP office is located in Calgary, where the majority of headquarter operations associated with Alberta's oil and gas industry are located.

Summary of Activities

A look back ... fiscal year 1984-85

During fiscal year 1984-85, further progress was made in simplifying application procedures. The most noteworthy changes involved amendments to the adjustment provisions of the Petroleum Incentives Program Regulation.

In the year under review, progress was made in expanding APIP's automated information processing capability. Steps were taken to automate the Management Information System and weekly and monthly statistical reports and to provide assessors with an on-line information data base.

The provision of timely information to applicants and the public continued to be high priority. During the year, some 5,201 enquiries were received and processed. Interpretive and technical literature was prepared and distributed. Workshops explaining legislative changes and various aspects of the program were held.

The incentives paid during the fiscal year ending March 31, 1985, amounted to $430.2 million. A comparative analysis of that expenditure follows:

	1985	1984
Exploration	$199,726,278	$202,245,384
Development	104,815,626	81,074,572
Geophysical, Geochemical and Geological	68,023,748	49,471,478
Other	57,710,497	29,220,344
	$430,276,149	$362,011,778

Fiscal year 1984-85, saw an increase in applications. In the fiscal year ending March 31, 1985, APIP received 7,867 applications, an increase of approximately 16 per cent when compared with the total for the fiscal year ended March 31, 1984. As of March 31, 1985, the total number of applications received since the program started was 18,182.

Auditor's Report

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy and
Natural Resources

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1985 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
September 27, 1985

F.C.A.
Auditor General

Statement A

Alberta Petroleum Incentives Program Fund
Balance Sheet
As at March 31, 1985

	1985	1984
ASSETS		
Current:		
Cash	$ 7,513,448	$ 7,420,746
Incentive grant overpayments receivable, including accrued interest (less allowance for doubtful accounts of $6,882,093; 1984 $2,082,282)	9,875,191	4,738,792
Fees receivable	138	—
Due from the General Revenue Fund	266,940,304	197,470,195
	$284,329,081	$209,629,733
LIABILITIES		
Current:		
Incentive grants and interest payable	$284,329,081	$209,628,933
Deferred revenue	—	800
	$284,329,081	$209,629,733

The accompanying notes are part of these financial statements.

Statement B

Alberta Petroleum Incentives Program Fund
Statement of Revenue and Expenditure
For the year ended March 31, 1985

	1985	1984
REVENUE		
Transfer of non-renewable resource revenue from the General Revenue Fund	$437,496,632	$369,695,914
Interest income	5,605,113	2,673,826
Fees for advance rulings	738	10,875
	443,102,483	372,380,615
EXPENDITURE		
Incentive grants:		
Exploration	199,726,278	202,245,384
Development	104,815,626	81,074,572
Geophysical	68,023,748	49,471,478
Unit agreement	12,731,845	4,385,797
Asset cost	7,205,049	2,933,432
Drilling contribution, internal overheads and overhead allowance	37,773,603	21,901,115
	430,276,149	362,011,778
Administration and other expenses (Note 3)	8,026,523	8,286,555
Provision for doubtful accounts	4,799,811	2,082,282
	443,102,483	372,380,615
	$ —	$ —

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1985

Note 1: Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981.

Note 2: Significant Accounting Policies and Reporting Practices

Incentive grants

Incentive grant applications received prior to June 30 in respect of expenditures made by industry to the fiscal year end of the Fund are recorded as expenditures of that fiscal year.

Applications approved by March 31 are recorded at the amount of the grant paid, after giving effect to an adjustment for certain grants which were not subject to full assessment procedures. Those applications received but not approved by March 31 and applications received between April 1 and June 30 are recorded at 91.4% (1984 - 94.9%) of the application amount to allow for adjustments which are normally required.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3: Administration and Other Expenses

Administration and other expenses are charged to the Fund pursuant to section 3(8) of the Act. Costs incurred during the year ended March 31, 1985 by the General Revenue Fund in connection with the administration of the Fund are summarized below:

	1985	1984
Salaries, wages and payments to contract employees	$4,212,248	$4,274,009
Professional, technical and labour services	1,747,406	1,740,564
Data processing services	860,712	1,043,058
Employee benefits	420,031	409,214
Equipment purchases	307,871	221,725
Materials and supplies	229,359	233,470
Repairs and maintenance	93,079	46,771
Rentals	58,683	151,509
Allowances and supplementary benefits	39,136	32,052
Travel expenses	30,559	59,552
Telephone and communications	11,821	12,474
Freight and postage	7,181	4,158
Advertising	4,723	54,767
Hospitality	3,114	3,223
Other purchased services	600	9
	$8,026,523	$8,286,555

Note 4: Comparative Figures

The 1984 figures have been restated where necessary to conform to 1985 presentation.

Note 5: Approval of Financial Statements

These financial statements were approved by management.

Appendix

Summary of Incentive Grants for Fiscal Years Ended March 31, 1984 and 1985

	1985	1984	Totals to Date
	$	$	$
Cash Incentives Paid	361,514,041.00	511,884,444.00	1,199,614,474.54
Incentives Accrued 1983	—	—	351,419,064.00
Reversal of 1983 Accruals	—	(351,419,064.00)	(351,419,064.00)
Incentives Accrued 1984	—	201,546,398.00	201,546,398.00
Reversal of 1984 Accruals	(201,546,398.00)	—	(201,546,398.00)
Incentives Accrued 1985	270,308,506.00	—	270,308,506.00
	430,276,149.00	362,011,778.00	1,469,922,980.54

NOTE: Incentives accrued represent estimated liability for Incentive Grants applied for but unpaid at the end of the fiscal year.